

# **FINANCIAL ADVISORY SERVICES**

## ***THE AUSTRALIAN EXPERIENCE***

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## 2) FINANCIAL ADVISORY SERVICES

### Questions

- how to source trustworthy financial advice?
- what does it mean to be a professional?

### OR

- is financial advice just part of the “free market”?

# 3) FINANCIAL ADVISORY SERVICES

## Industry leaders claim

- structures minimize poor behaviour
- “appropriate balance” has been struck
- advisers should be trusted

## 4) FINANCIAL ADVISORY SERVICES

### Future of Financial Advice legislation 2013

- Ban on certain commissions
- Statutory best interests duty for advisers
- Bi-annual client opt-in

## 5) FINANCIAL ADVISORY SERVICES

So why is the Australian financial advisory industry not trusted to behave in the way that the traditional professions of medicine, law and accounting have been trusted to behave (more or less) since their inception?

## 6) FINANCIAL ADVISORY SERVICES

- **Failure** of self-regulation in the accounting profession
- Adoption of “**optional ethics**”
- A case study in how **NOT** to do self-regulation
- The **ONLY** way to address conflicts ...

# 7) FINANCIAL ADVISORY SERVICES

## ADF Financial Advice Referral Program

- Undertaking by advisers to avoid remuneration conflicts
- 42 advisers throughout Australia
-  [www.adfconsumer.gov.au](http://www.adfconsumer.gov.au)
- Can advisers licensed through financial institutions ever offer “best interests” advice?

## 8) FINANCIAL ADVISORY SERVICES

### Professional self-regulation

- voluntary adherence to standards above law
- voluntary removal of conflicted remuneration

### Reform by governments

- opposing vested interests
- compromised, complex and flawed regulation

## 9) FINANCIAL ADVISORY SERVICES

### Australian Parliamentary Committee

- recommendation to establish an industry-funded self-regulatory educational standards body
- the final opportunity to create a **true profession?**

# 10) FINANCIAL ADVISORY SERVICES

**A Positive Future?**

**Seven immediate consequences**



## 11) FINANCIAL ADVISORY SERVICES

**“It is difficult to get a man to understand something, when his salary depends on his not understanding it.”**